

KENTUCKY ECONOMIC INDICATORS

April 2005 Indicators as of June 22, 2005

KY Composite Index of Leading Indicators increased 1.8 percent for April.

- The Leading Index increased for the third time this year.
- The Leading Index rose by 0.7 percent over the same month last year.
- Component indicators were mostly positive, 3:1.
 - + KY Labor Intensity Index increased 0.8 percent.
 - o The US Leading Index was unchanged 0.0 percent.
 - + The Index of KY Initial UI Claims increased 3.8 percent.
 - + US Retail Sales increased 20.2 percent.
 - The Louisville Help Wanted Index decreased by 46.0 percent.

Component weights for April are 50.07, 23.38, 16.80, 14.62 and 1.68 respectively.

KY Composite Index of Coincident Indicators increased 1.3 percent for April.

- The Coincident Index was positive for the third consecutive month.
- Same-month-last-year growth is positive for the twenty-first consecutive month at 2.3 percent.
- Component indicators leaned positive, gainers over losers, 2:1.
 - + KY Total Nonagricultural Employment increased 5.4 percent.
 - US Industrial Production Index decreased 3.4 percent.
 - + US Personal Income Less Transfers increased 2.4 percent.

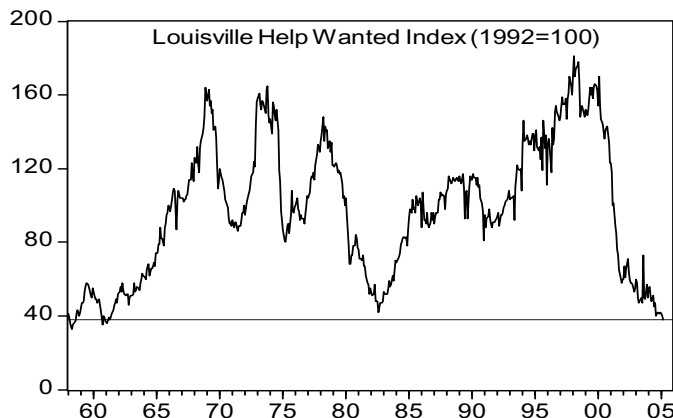
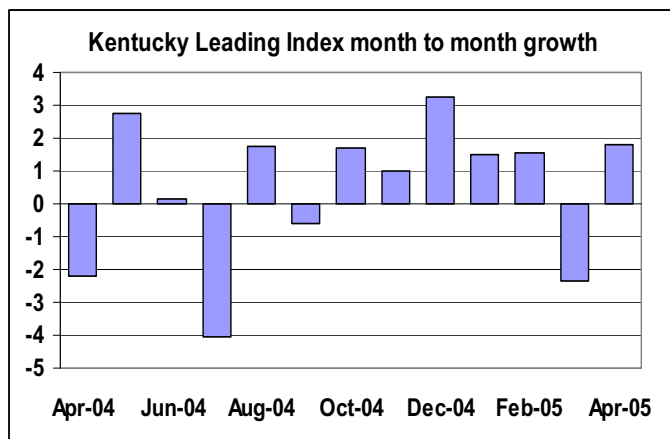
Component weights for April are 32.68, 29.93 and 26.49 respectively. Component weights do not sum to one because the two US components were discounted to allow the Kentucky component more weight.

The Kentucky Index of Leading Indicators was positive for April regaining all that was lost in March. The two largest components of the Leading Index, the Kentucky Labor Intensity Index and the US Leading Index, were largely unchanged for April 2005. The Kentucky Initial Claims Index continues to fluctuate but overall is on an upward trend. This series has now risen by over 69 percent since its 2001-cycle trough. The Kentucky Initial Claims Index made no improvements throughout calendar year 2002, and has grown at a steady long-term rate for the last two-and-a-half years. US Retail Sales continue to surge. The series is beginning to take on a hyperbolic shape, reminiscent of the late 1990s. The Consumer Price Index grew again at an alarming pace for April, gaining 6.4 percent over the previous April.

The Help Wanted Index continues to inch lower and lower. Only twice in its entire 48 year history has the Index been lower, both times in the late 1950s. The current Help Wanted Index trend looks remarkably similar to the Help Wanted Index trend during the 1978-1982 period. The Index peaked in June 1978 at 143. For the next four years the series fell steadily. The Index finally reached its trough of 42 in September 1982. By May 1985, the series had increased to 103 and reached a sort of ledge. For the next four years the series was fairly erratic and did not show any clear trends. On the optimistic side, after the 1958 and 1960 lows, the largest single-cycle growth period followed.

There is plenty positive news in the labor market for April. Both Kentucky Nonagricultural Employment and the subsector Kentucky Manufacturing Employment grew in April. In fact, this is the first time in several years that Kentucky manufacturing employment has grown for two consecutive months. Kentucky has now added 12,700 jobs since the beginning of the year. In less dramatic fashion, there has been an increase of 2,200 jobs in the manufacturing sector since the beginning of the year. Nonetheless, this is exceptional for the manufacturing sector, as it has been in freefall mode since early 2000.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report*, 2000.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **GOEA Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products, chemical and allied products, rubber and plastic products, fabricated metals, and transportation equipment.
- **GOEA Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky UI claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **Louisville Help-wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.
- **U.S. Manufacturing and Trade Sales:** This series outperformed Kentucky sales tax receipts and U.S. total retail sales. Current manufacturing and trade sales help form the basis for business expectations for the immediate short run. Since production and investment do not occur instantaneously, the formation of expectations (manifested through current manufacturing and trade sales) should slightly lead the business cycle.
- **GOEA U.S. Leading Index:** We eliminated two variables, UI Claims and weekly hours, from the U.S. leading index since we already use the Kentucky equivalents. The remaining eight components of the U.S. leading index were tested, eliminating both the interest rate spread and the slower deliveries diffusion index of vendor performance. The remaining six components were then re-indexed by GOEA.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.ky.gov

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**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2004												2005			
	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL
KY Leading Index (1992=100)	113.1	113.4	113.4	113.0	113.1	113.1	113.2	113.3	113.6	113.8	113.9	113.7	113.9	113.7	113.9	113.9
% Chg Previous Month SAAR	-2.2	2.7	0.1	-4.0	1.7	-0.6	1.7	1.0	3.3	1.5	1.6	-2.3	1.8	-2.3	1.6	1.8
% Chg Same Month Last Year	2.8	2.8	2.5	1.7	1.6	0.9	1.4	1.2	1.2	1.3	1.2	0.3	0.7	0.3	1.2	0.7
KY Coincident Index (1992=100)	130.1	130.4	130.3	130.6	130.9	130.8	131.5	131.8	133.8	132.5	132.8	133.0	133.1	133.0	132.8	133.1
% Chg Previous Month SAAR	4.5	2.6	-0.8	3.4	2.3	-1.0	6.9	3.3	19.1	-10.6	2.5	1.3	1.3	1.3	2.5	1.3
% Chg Same Month Last Year	2.6	2.6	2.4	2.5	2.6	2.2	2.5	2.3	3.6	2.6	2.5	2.6	2.3	2.6	2.5	2.3
KY Nonag Employment (000s)	1,796.4	1,793.6	1,796.5	1,789.7	1,796.7	1,798.6	1,801.0	1,800.7	1,802.7	1,802.4	1,803.6	1,807.1	1,815.1	1,807.1	1,803.6	1,815.1
% Chg Previous Month SAAR	2.5	-1.9	2.0	-4.4	4.8	1.3	1.6	-0.2	1.3	-0.2	0.8	2.4	5.4	2.4	0.8	5.4
% Chg Same Month Last Year	1.0	0.7	1.0	0.7	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.8	1.0	0.8	0.7	1.0
KY Mfg Employment (000s)	264.2	264.5	264.2	258.2	264.6	264.4	265.5	264.7	264.2	264.6	264.5	265.1	266.8	265.1	264.5	266.8
% Chg Previous Month SAAR	-0.5	1.4	-1.4	-24.1	34.2	-0.9	5.1	-3.6	-2.2	1.8	-0.5	2.8	8.0	2.8	-0.5	8.0
% Chg Same Month Last Year	-0.4	-0.2	-0.1	-2.4	0.1	0.0	0.5	0.2	-0.2	0.0	0.0	0.3	1.0	0.3	0.0	1.0
KY Unemployment Rate (%)	5.7	5.7	5.7	5.6	5.7	5.8	5.7	5.9	6.0	6.0	6.2	6.2	6.4	6.2	6.2	6.4
KY Index of Initial UI Claims	102.2	102.4	102.5	101.7	102.0	102.5	103.0	102.4	103.1	102.8	104.0	103.3	103.7	103.3	104.0	103.7
% Chg Previous Month SAAR	0.7	3.1	1.1	-9.2	3.6	6.1	5.9	-6.5	8.4	-3.2	14.5	-7.4	3.8	-7.4	14.5	3.8
% Chg Same Month Last Year	3.6	3.2	3.3	1.9	1.7	2.4	1.9	1.1	1.7	1.0	2.6	1.2	1.5	1.2	2.6	1.5
KY Labor Intensity Index (1992=100)	105.1	105.1	105.0	104.9	105.1	105.1	105.1	105.3	105.3	105.7	105.6	105.7	105.7	105.7	105.6	105.7
% Chg Previous Month SAAR	1.4	0.1	-0.7	-1.6	2.5	0.7	0.1	1.4	0.6	3.9	-0.9	1.0	0.8	1.0	-0.9	0.8
% Chg Same Month Last Year	1.1	1.0	1.0	0.6	0.7	0.7	0.7	0.7	0.8	1.0	0.8	0.7	0.6	0.7	0.8	0.6
Louisville HWI (1992=100)	51.0	48.0	51.0	45.0	47.0	40.0	41.0	42.0	41.0	42.0	41.0	40.0	38.0	40.0	41.0	38.0
% Chg Previous Month SAAR	-67.4	-51.7	107.0	-77.7	68.5	-85.6	34.5	33.5	-25.1	33.5	-25.1	-25.6	-46.0	-25.6	-25.1	-46.0
% Chg Same Month Last Year	2.0	2.1	4.1	-10.0	0.0	-45.2	-18.0	-14.3	-28.1	-16.0	-25.5	-28.6	-25.5	-28.6	-25.5	-25.5
GF Total Tax Receipts (\$mil)	721.1	479.5	633.7	519.1	513.4	655.0	563.6	587.9	709.7	659.6	500.8	568.6	808.4	568.6	500.8	808.4
% Chg Same Month Last Year	3.5	15.1	2.6	10.2	11.7	4.1	6.3	10.7	5.0	13.1	8.3	11.7	12.1	11.7	8.3	12.1
GF Sales & Use Receipts (\$mil)	217.5	205.6	199.7	226.1	211.7	206.6	224.0	201.1	217.7	271.4	176.3	200.1	224.2	200.1	176.3	224.2
% Chg Same Month Last Year	8.9	8.1	4.2	8.6	7.3	3.1	5.0	1.0	4.7	8.8	7.5	8.2	3.1	8.2	7.5	3.1
GF Income Tax Receipts (\$mil)	366.6	189.6	270.2	224.2	245.2	272.2	249.9	230.2	259.0	252.6	231.5	176.1	413.7	176.1	231.5	413.7
% Chg Same Month Last Year	3.4	19.8	0.8	8.5	9.4	-0.3	9.5	2.8	4.6	21.9	6.6	24.0	12.8	24.0	6.6	12.8

**SELECTED U.S. ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

2004

2005

	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR
US Leading Index (1982=100)	115.8	116.3	116.2	116.0	115.7	115.4	115.1	115.4	115.7	115.5	115.4	114.7	114.7
% Chg Previous Month SAAR	1.0	5.3	-1.0	-2.0	-3.1	-3.1	-3.1	3.2	3.2	-2.1	-1.0	-7.0	0.0
% Chg Same Month Last Year	4.6	4.2	3.8	2.9	2.3	1.9	1.2	1.2	1.2	0.7	0.5	-0.9	-0.9
US Coincident Index (1992=100)	116.9	117.2	117.2	117.5	117.7	117.7	118.2	118.4	119.9	119.1	119.3	119.3	119.5
% Chg Previous Month SAAR	3.1	3.1	0.0	3.1	2.1	0.0	5.2	2.0	16.3	-7.7	2.0	0.0	2.0
% Chg Same Month Last Year	2.8	2.8	2.5	2.5	2.8	2.5	2.7	2.5	3.6	2.8	2.8	2.3	2.2
US Nonag Employment (Mil.)	131.1	131.4	131.5	131.6	131.8	131.9	132.2	132.3	132.4	132.6	132.9	133.0	133.3
% Chg Previous Month SAAR	3.1	2.3	1.0	0.8	1.7	1.2	2.6	1.2	1.4	1.1	2.7	1.1	2.5
% Chg Same Month Last Year	1.0	1.2	1.3	1.3	1.5	1.5	1.6	1.6	1.7	1.7	1.8	1.7	1.6
US Unemployment Rate (%)	5.5	5.6	5.6	5.5	5.4	5.4	5.5	5.4	5.4	5.2	5.4	5.2	5.2
US Initial Claims for UI (000s)	345.5	343.5	339.7	342.4	340.5	344.9	338.6	334.1	330.0	330.1	307.4	337.8	321.9
% Chg Previous Month SAAR	3.5	-6.7	-12.5	10.0	-6.5	16.7	-19.8	-14.8	-13.8	0.4	-57.5	210.1	-43.9
% Chg Same Month Last Year	-21.2	-19.3	-19.0	-14.4	-14.8	-13.4	-11.0	-8.9	-8.7	-7.0	-13.7	-1.9	-6.8
US Industrial Production Index	114.7	115.5	115.1	115.9	116.0	115.7	116.6	116.9	117.9	117.8	118.3	118.5	118.2
% Chg Previous Month SAAR	6.8	8.7	-4.2	8.8	1.1	-3.3	10.1	3.1	10.3	-1.6	5.8	2.1	-3.4
% Chg Same Month Last Year	4.7	5.4	4.7	4.8	5.0	3.9	4.6	3.8	4.4	4.0	3.4	3.9	3.0
US Personal Inc. Less Trans. (bil 92\$)	7,596.9	7,614.5	7,612.0	7,667.1	7,676.2	7,666.1	7,744.2	7,802.0	8,157.1	7,889.0	7,901.8	7,900.3	7,916.0
% Chg Previous Month SAAR	6.4	2.8	-0.4	9.0	1.4	-1.6	12.9	9.3	70.6	-33.0	2.0	-0.2	2.4
% Chg Same Month Last Year	3.4	3.0	2.7	3.2	3.2	2.9	3.4	3.4	8.0	4.7	4.7	4.5	4.2
CPI, All Urban (1982-84=100)	187.7	188.8	189.3	189.2	189.3	189.6	190.7	191.2	191.2	191.3	192.0	193.2	194.2
% Chg Previous Month SAAR	2.6	7.3	3.2	-0.6	0.6	1.9	7.2	3.2	0.0	0.6	4.5	7.8	6.4
% Chg Same Month Last Year	2.3	3.0	3.2	2.9	2.7	2.5	3.2	3.6	3.4	2.9	2.9	3.2	3.5
US Retail Sales (bil 84\$)	317.1	323.0	321.3	324.0	323.7	329.4	332.3	332.4	336.6	336.8	339.0	340.1	345.3
% Chg Previous Month SAAR	-13.0	24.6	-6.0	10.6	-1.2	23.5	10.8	0.4	16.2	0.7	8.1	3.9	20.2
% Chg Same Month Last Year	6.7	8.9	6.6	6.6	4.8	7.6	8.6	7.3	8.9	8.0	8.0	6.0	8.9
Manufacturing & Trade Sales (000s)	916.1	916.9	920.2	925.4	928.7	930.5	931.6	933.5	947.3	951.2	941.9	940.2	*943.8
% Chg Previous Month SAAR	-7.4	1.1	4.4	7.0	4.4	2.3	1.5	2.4	19.3	5.1	-11.1	-2.2	4.7
% Chg Same Month Last Year	8.0	7.5	6.4	5.5	6.4	5.9	5.5	5.1	5.8	6.4	4.8	2.0	3.0
US Consumer Expectations (1966=100)	87.3	81.6	88.5	91.2	88.2	88.0	83.8	85.2	90.9	85.7	84.4	82.8	77.0
% Chg Previous Month AR	-18.5	-55.5	164.9	43.4	-33.1	-2.7	-44.4	22.0	117.5	-50.7	-16.8	-20.5	-58.2
% Chg Same Month Last Year	10.1	-10.7	2.4	9.0	6.9	8.9	1.0	-3.3	1.2	-14.4	-4.6	-6.8	-11.8
Ave. Prime Interest Rate (%; NSA)	4.00	4.00	4.00	4.25	4.42	4.58	4.75	4.93	5.14	5.25	5.49	5.58	5.75

*ARIMA estimation